

**HANDBOOK FOR STATES IMPLEMENTING  
THE ALTERNATIVE BASE PERIOD  
(Volume VI)**

by



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## *PREFACE*

This **Volume VI, Handbook for States Implementing the Alternative Base Period**, was prepared by Planmatics. The report is one of six volumes on the evaluation of the alternative base period for unemployment insurance, conducted by Planmatics for the U.S. Department of Labor Contract No. K-54355008030. **Volume I, Summary of Findings on the Alternative Base Period**, summarizes the information presented in Volumes II through VI. **Volume II, Impact of the Alternative Base Period on Administrative Costs**, contains descriptions of the processes and procedures resulting from implementing ABP and estimates of one time and ongoing administrative costs. **Volume III, Impact of the Alternative Base Period on Employers**, contains analyses of the effects of ABP on different sizes of employers and descriptions of reporting formats and mediums used. **Volume IV, Impact of the Alternative Base Period ABP on the Trust Fund**, contains analysis and simulations of the impact of ABP on the trust fund in five states. The Urban Institute as a sub contractor to Planmatics had key responsibility for the contents of this volume. **Volume V, Demographic Profile of UI Recipients under the Alternative Base Period**, contains descriptions and analyses of workers eligible for unemployment insurance in New Jersey and Washington and comparisons with regular UI recipients. **Volume VI, Handbook for States Implementing the Alternative Base Period**, contains information on lessons learned from states with alternative base periods and provide guidelines on how to design and implement such systems.

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## INTRODUCTION

This handbook is part of a study commissioned by the U.S. Department of Labor to examine the administrative and other costs that states (as well as employers within the states) are likely to incur as a result of implementing an Alternative Base Period (ABP).

Typically, a base period for unemployment claims consists of the first four of the last five completed calendar quarters immediately preceding the filing of a claim. This base period is referred to as the "regular base period." However, under certain conditions, eight states currently offer claimants the option of having their monetary eligibility determined based on employment and wages during a different period of time. This is referred to as the "alternative base period (ABP)." The ABP is a period more recent to the effective date of the claim. ABP options are available in Maine, Massachusetts, New Jersey, Ohio, Rhode Island, Vermont, Washington and North Carolina.

This handbook is intended to provide guidance on how to reduce costs and promote efficiency in implementing an ABP. It is based on information from UI agency staff and employers from Vermont, Maine, Massachusetts, New Jersey, Ohio and Washington. There are five steps that UI agencies should follow if they wish to implement an ABP. These steps are described in detail in the following pages:

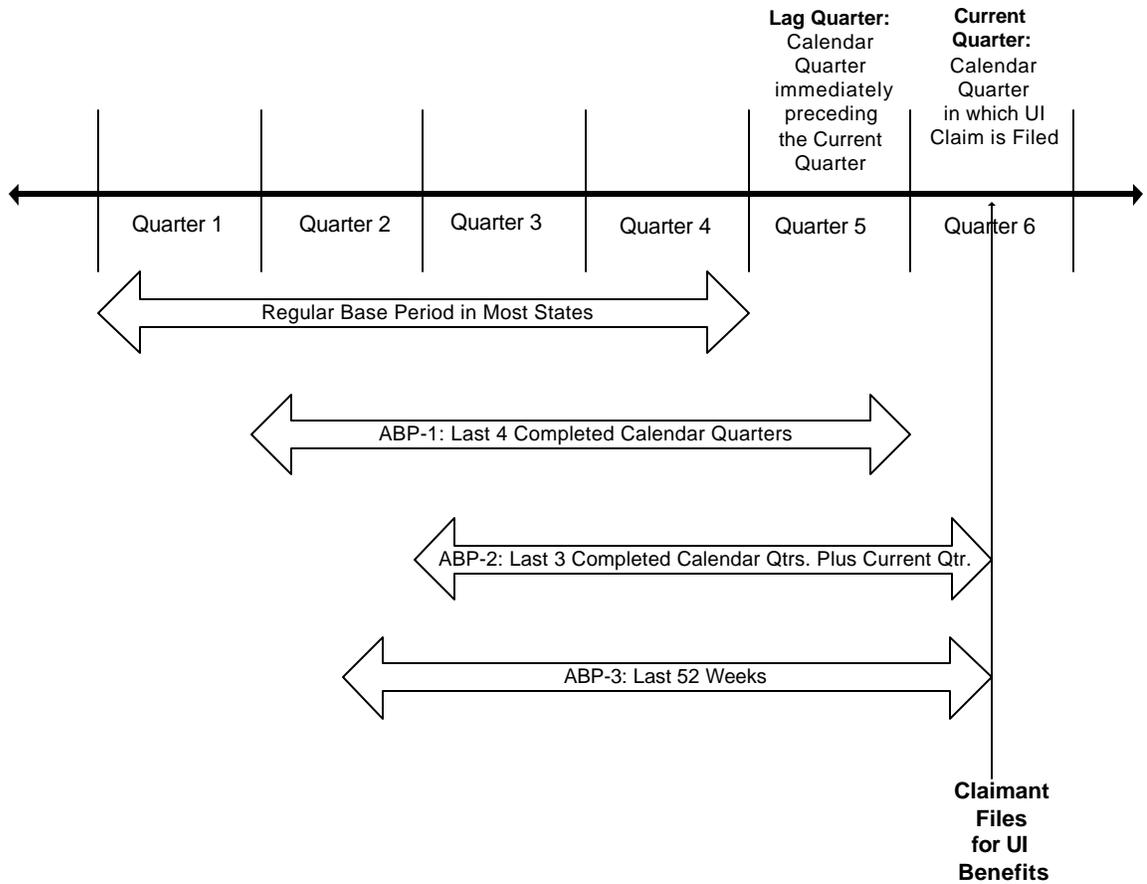
1. Change the law
2. Determine and design necessary changes in the process
3. Determine and design changes in the computer system
4. Implement computer system changes
5. Implement process changes

# I. CHANGE THE LAW

There are four main steps to follow in changing the UI law: choosing the type of ABP, choosing a method of obtaining lag and current quarter wage information, determining the statutory changes required, and finally, drafting a model law. These are described below, along with the information needed to implement them.

## I.A CHOOSE THE TYPE OF ABP

UI agencies have a choice of three time periods for an ABP. These are shown on the chart and described below.



### **I.A.1 Last Four Completed Calendar Quarters**

Most of the states that have implemented an ABP have defined it as the last four completed calendar quarters. The rationale is that with the advances in technology, a high percentage of wages through that quarter are available on the wage record file. Typically, if a claimant is not monetarily eligible for benefits under the regular base period, then the UI agency will examine wages earned during the last four completed calendar quarters to determine monetary eligibility.

Since it relies extensively on computerized wage records, this appears to be the most cost-effective base period to use for both employers and states.

### **I.A.2 Last Three Completed Calendar Quarters Plus the Current Quarter**

Some states use a second ABP consisting of the "last three completed calendar quarters plus the current quarter" if the claimant is ineligible using the regular base period and the first ABP (consisting of the last four completed calendar quarters).

The advantage of this ABP is that claimants who have only very recent wages can meet the monetary eligibility requirements for UI benefits.

The drawback to this ABP is that all claims result in wage requests or wage affidavits because no state requires employers to report wage information on its employees until after the end of that quarter. Therefore, wage data for the current quarter are not available on a state's wage record file. That information must be obtained by some alternative means, such as a wage request to the employer or by the claimant's affidavit. This can substantially increase administrative costs to both the state and to employers.

Another drawback is that the states have to record and keep track of the use of partial wages from a quarter. This requires additional programming changes to the computer systems to prevent the duplicate use of wages on a subsequent claim.

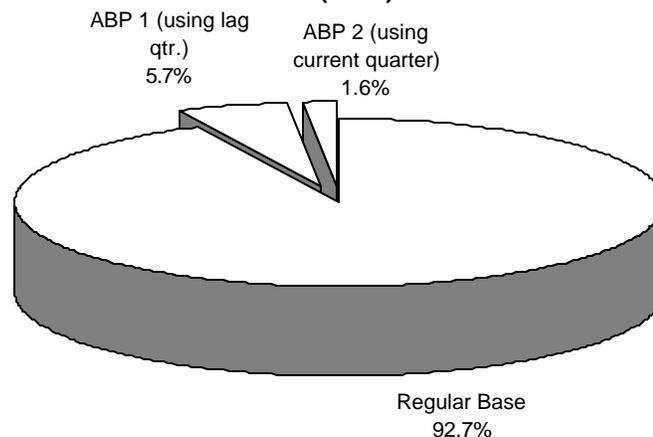
The reason for having a second ABP (consisting of the last three completed quarters plus the current quarter or the last 52 weeks) is to increase the number of monetarily eligible claimants. However, this increase may not be significant and the state should balance the increase against the increased administrative costs to the state and employers. In all but one of the ABP states that allow the use of the current quarter base period as an option,<sup>1</sup> monetary eligibility is determined using the current quarter only if it cannot be established using a base period that includes only the last four completed quarters. Thus, the volume of claims being determined under this "second" alternative base period is significantly lower than if this option were used as the first alternative to the standard base period. In New Jersey, the UI eligibles using the ABP consisting of the last three quarters plus the current quarter accounted for only 1.6% of the total population of UI eligibles (as shown in the following figure).

UI eligibility statutes have traditionally defined the "base period" as the first four of the last five completed calendar quarters. The justification for this was that agencies needed that time to obtain wage information from employers, process the information, and enter it onto the UI database. However, since technology has significantly increased the speed at which employers can report wages and agencies can enter that information into their computer systems, this justification has come under increased scrutiny.

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<sup>1</sup> Massachusetts is the exception, in those instances where an eligibility determination using the current ABP would result in an increase in benefits of 10 percent or more for a claimant.

**UI beneficiaries by eligibility criterion in New Jersey  
(1996)**



In Vermont and New Jersey, if a claimant fails to qualify for benefits under the regular base period, the state first examines wages earned during the last four completed calendar quarters in order to redetermine monetary eligibility. If the claimant remains ineligible, then a second determination is based on wages earned in the last three completed calendar quarters plus the current quarter (the quarter in which a UI claim is filed).

In Massachusetts, the regular base period is defined as the last four completed quarters. The alternative base period is defined as the last three completed calendar quarters plus completed weeks in the current quarter. If a claimant can produce some credible evidence (e.g., paycheck stubs) that his or her benefit amount would increase by 10 percent or more as a result of using wages from the last three completed calendar quarters plus the current quarter in the benefit calculation, and the state verifies the information by wage request, then redetermines the benefit amount using wages earned in this second ABP.

**I.A.3 Last 52 Weeks**

Under this form of ABP, if a claimant fails to qualify for benefits under the regular base period, then the state will redetermine monetary eligibility based on wages earned during the 52-week period immediately preceding the week in which the claimant filed.

This option creates the maximum degree of "fairness" to the claimant as the most recent wages are used in determining eligibility and the base period covers a 1-year period. (The base period consisting of last three completed quarters plus the current quarter covers a 1-year period.)

The drawback of this ABP is that this option would result in higher administrative costs to both employers and states than if the last four completed calendar quarters were used. Like the ABP consisting of the last three completed calendar quarter plus the current quarters, this ABP too results in wage requests (or wage affidavits) for all ABP claims.

Another drawback is that employers may have to report weekly wages and the state UI agency may have to enter, store, and access weekly wages. This may require additional programming changes to the computer system.

## **I.B CHOOSE A METHOD OF OBTAINING LAG AND CURRENT QUARTER WAGE INFORMATION**

In most states, employers send in quarterly wage reports after the end of each quarter. These wage reports are entered on the state's wage record file and used for monetary determinations. This system of collecting, recording, and accessing the quarterly wage reports is known as the "wage record system". Since there is a lag quarter between the regular base period and the filing quarter, the regular base period wages are available on the wage record system. However, while a majority of lag quarter wages are available using this system, none of the current quarter wages are available. There are three possible methods of obtaining lag and current quarter wage information: a pure wage records system, a wage requests system, and a wage affidavits system.

### **I.B.1 Wage Records System**

No state that has implemented the ABP law is currently using the wage record system to handle all of its ABP claims; there is at least one other system in place to handle claims when lag/current quarter wage information is not available on the UI computer system.

1996 data from New Jersey showed that lag quarter wage information is not available on the state UI agency database for 54% of claimants. As a result, 54% of ABP claims using the last four completed calendar quarters require the use of some alternative method of obtaining wage information.

In its original ABP legislation, the State of Washington expressly relieved its state agency of any duty to obtain wage data on ABP claimants where such data were not already available on the agency database. Upon being informed that this provision might render the state out of compliance with federal directives, Washington repealed this particular provision of the legislation and replaced it with legislation providing for the use of requests for wage not on file at the time of application.

### **I.B.2 Wage Request System**

The wage request system is currently the most commonly used method of obtaining lag and current quarter wage information. Of the six states that were studied, Vermont, Maine, Washington (during the first four weeks of the quarter), New Jersey, and Massachusetts currently use wage requests as their primary method of obtaining wage information not on file.

Under this system, wage data are requested as necessary from the base period employer(s). This system lends itself to partial automation since wage requests can be generated automatically by the computer system. This limits the amount of paper that must be handled by local office staff. Generally, wage request data are also more accurate than wage affidavit data.

However, one drawback of using wage requests is that they create a delay between the claimant's time of filing and time at which a monetary determination can be made. This delay is the result of the time needed for the state to issue the request to the employer; for the employer to receive, complete, and return the request; and for the state to receive it back from the employer. Another drawback is the fact that because some employers do not respond to the wage requests, state staff must contact them by telephone, which increases administrative costs. The wage request system also creates more paperwork for employers, increasing their administrative costs.

### **I.B.3 Wage Affidavits**

Wage affidavits are another means of obtaining wages not on file. Typically, a claimant is asked to complete an affidavit and present some documentation (e.g., paycheck stubs) of wages earned. A monetary determination is then be made based upon the information contained in the affidavit.

Of the states that have implemented an ABP, only Ohio uses wage affidavits as the primary method of obtaining wages not on file, while New Jersey and Washington use affidavits when other methods of obtaining wage information are unsuccessful.

The utilization of wage affidavits as part of an ABP implementation scheme has both advantages and drawbacks. The advantage is that they provide the most expeditious means for obtaining any necessary wage information not on file.

However, since they require an interview with the claimant and manual entry of wages to the wage record file, wage affidavits are time consuming and labor intensive. The information provided by the claimant, upon which benefit determinations are based, is often incorrect and prone to creating overpayments that require redeterminations of both the benefit amounts and to the employer tax rates. These corrections result in additional administrative costs to employers and to the state. When overpayments are made, some party must bear the loss. The overpayment can be subtracted from subsequent payments made to the claimant or the state UI trust fund can absorb the loss.

Ohio Bureau of Employment Services staff estimate that approximately 90% of the wage affidavits filed do not match the quarterly wages reported and require corrections. Employers who fail to submit timely quarterly wage reports eventually bear the loss via higher experience-rated UI taxes because they forfeit the right to correct the inaccurate information contained in the claimant's wage affidavit. ABP, by necessitating a greater number a wage affidavits, can magnify this effect on employers.

## **I.C DETERMINE ADDITIONAL STATUTORY CHANGES REQUIRED**

Other statutory provisions or modifications may be required to support effective implementation of an ABP. Those state UI statutes that already address the following issues may require modification, while others may require additional provisions or administrative rules to adequately address these issues.

### **I.C.1 Timely Employer Response to Wage Requests**

States that use wage requests for obtaining lag and current quarter wage information may need a statute that ensures that employers respond to wage requests in a timely manner. Most states require the employers to respond within 10 days of receiving the wage request. Some states also impose a fine on the employers if they do not respond timely.

### **I.C.2 Timely Employer Reporting of Wage Data**

If a high percentage of employers provide timely reports of quarterly wages, there is a greater chance that wage data will be available on the state wage record file. In order for a state to rely upon quarterly wage reports as a primary source of wage data, some mechanism must be in place to ensure timely reporting by a substantial majority of employers. Thus states may use fines or other ways to ensure timely reporting of quarterly wages.

In Ohio, if lag quarter wages are not available, an initial benefit determination is based on information provided by the claimant in his or her affidavit. If this information is later disputed by the employer and the state later finds that it is incorrect, the employer's experience-rated taxes will reflect the correct wage information and the claimant's benefit amount may be adjusted. Employers who have failed to file wage information in a timely manner are denied the opportunity to remedy incorrect information provided in a wage affidavit and may find their taxes increase.

### **I.C.3 "Reuse" of Wages**

Where a claimant uses wages earned in an alternative base period to a benefit year, and files a transitional or subsequent claim the following year, the base periods may overlap. In order to prevent duplicate use of wages, some states have enacted legislation to prohibit the "reuse" of wages used in a prior benefit year to establish a subsequent benefit year. The statutes enacted in Vermont, Massachusetts, Maine, and Washington prohibit "reuse" of wages already used to establish a previous benefit year.

### **I.C.4 Claimant to be Informed of ABP Option**

A claimant who fails to qualify for the maximum benefit award under a regular base period must be informed of the ABP option. The statutes enacted in Massachusetts and New Jersey require that potential ABP claimants be informed of the ABP option if they fail to qualify for the maximum benefit award under the regular base period.

### **I.C.5 Modification of Base Period where Claimant Was Disabled during Base Period**

Where a claimant was disabled and unable to earn wages during some part of his or her base period, many state statutes provide for modification of the base period under certain circumstances. Additional statutory provisions allowing for further modifications to the base period may be necessitated by the passage of an ABP. Such was the case in both New Jersey and Massachusetts.

### **I.C.6 Earlier Reporting Deadlines**

In most states, state law requires employers to report wage data for any given quarter by the last day of the month following that quarter. Massachusetts included provisions in its ABP statute requiring employers to report wage data within fifteen days of the end of the quarter. The rationale behind the earlier deadline is that wage data will be on file an average of fifteen days earlier for any given claimant.

However, many employers have resisted such earlier reporting deadlines. They argue that reporting wages by the 15th of the month following a quarter will prove to be prohibitively expensive, if not impossible.<sup>2</sup>

On the other hand, data provided by New Jersey show that moving the wage reporting deadline to the 15th of the month following the end of the quarter will reduce the number of wage requests by 26%, thus eliminating costs to the agency.

### **I.D DRAFT MODEL LAW**

Every state that has implemented an ABP to date has done so by an act of the state legislature. Generally, the legislatures have changed the law by merely changing the existing legal definition of the term "base period" to include an ABP. A few states have added additional provisions to address contingencies created by the enactment and implementation of an ABP.

While legislators are in a position to understand the general political aspects of ABP legislation, state UI agency personnel are far more knowledgeable about the administration of UI programs.

Therefore, the state UI agencies should draft their own ABP legislation to meet these needs cost-effectively while still satisfying the purpose of the ABP law. Ideally, a state UI agency would present lawmakers with the draft legislation early in the process to ensure agency input into the final legislation,

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<sup>2</sup> See Volume III of this Report, *Impact of the Alternative Base Period on Employers*, § 2.2 et seq.

and would work closely with legislators to ensure the administrative feasibility of the resulting legislation. The costs of not doing this can be seen in New Jersey, where the state legislature implemented a law that contained fifteen different eligibility criteria. This has produced administrative costs that are much higher than they would be if there were only two or three eligibility criteria (as in the other ABP states).

### **Common Features of ABP Statutory Provisions for Selected States:**

Listed below are common features found in the ABP Laws enacted in Vermont, Massachusetts, Maine, Washington, Ohio, and New Jersey:

*All* provide for at least one alternative base period.

*All except Massachusetts* require that the claimant fail to qualify for benefits under a regular base period before an alternative base period may be used. Massachusetts allows an ABP to be used where claimants would qualify for an additional 10 percent or more in benefits.

*Vermont, Massachusetts, Maine, and Washington* prohibit "reuse" of wages already used to establish a previous benefit year.

*Ohio and New Jersey* allow for benefit determinations based on the claimant's affidavit where wage data is not on file at the time that the claim is filed.

- In both states, the claimant must furnish supporting documentation where available.
- In New Jersey, the determination of benefits will be adjusted when a quarterly wage report is received from the employer. In Ohio, the determination of benefits will be adjusted in the employer's favor only when a quarterly wage report is received in a timely manner from the employer.

In addition to drafting the legislation itself, the following are necessary to ensure a smooth, cost-effective ABP implementation:

#### **I.D.1 Provide Information / Receive Feedback from Employers**

The business community should be involved in planning ABP at the earliest point possible. Their opinions should be considered while drafting the legislation and designing changes to the UI system. Ignoring employers' opinions may lead to difficulties in implementing the law.

For example, in Massachusetts, the quarterly wage reporting date was moved from the 30th to the 15th of the month without asking employers whether they would be able to comply with the new reporting rules. Once the law was implemented, many employers were unable to report quarterly wages by the 15th of the month and the Massachusetts Department of Employment and Training received many complaints about the change to the reporting rules.

The state must inform employers about the proposal to implement an ABP, the reasons for doing it, and any changes in wage reporting, wage requests, and wage affidavits that are being proposed.

#### **I.D.2 Review Federal Requirements**

States contemplating adopting an ABP should be aware of federal funding requirements in drafting their legislation.

Federal law requires that in order to receive federal UI fund disbursements, state laws must be in compliance with certain federal requirements. One of those requirements relates to the timeliness with which the initial benefit payment is made to a claimant. The federal statute states that the Secretary of Labor "shall make no certification for payment to any state unless he finds that the law of such State ... includes provision for ... full payment of unemployment compensation *when due*...." [Emphasis added]

42 USC §503. The "when due" clause has been interpreted by administrative rule to require "payment of unemployment benefits to eligible claimants *with the greatest promptness that is administratively feasible.*" [Emphasis added] 20 CFR §640.4.

The original ABP legislation enacted in the State of Washington, while broadening the pool of potential UI claimants, specifically relieved the state UI agency of any duty to seek wage information from employers where that information was not already available on the state database. Under these terms, if a claimant's wage information was not available on the state's database, the claimant could not receive payments until that information became available. The USDOL took the position that Washington's law failed to comply with the "when due" clause of 42 USC §503 because the law itself prevented "payment of unemployment benefits to eligible claimants with the greatest promptness that is administratively feasible" by specifically relieving the state of any duty to seek wage information from employers.

In addition, the USDOL has also established actual performance standards with respect to the timeliness of UI benefit payments. A state must make 87% of its initial (or first) payments to claimants within 2 weeks of the first compensable week. The state must also make 93% of its initial (or first) payments to claimants within 5 weeks of the end of the week claimed. Thus, a state that was previously in compliance with this performance standard might find itself suddenly out of compliance as a result of the passage of an ABP. ABP claims typically require a greater amount of time to process than regular claims because the relevant wage information is less likely to be available on the state UI wage database, thus potentially decreasing a state's "on time" percentage.

Failure to conform to federal requirements can have severe consequences for a state. First, the Secretary of Labor would lack the authority to release federal grant moneys earmarked for that state, including funds under Title III of the Social Security Act, ES (or Wagner) funds, and federal UI program administration funds. In addition, employers in the noncompliant state would be faced with losing the federal tax credits for UI taxes paid directly to the state. By

statute, the Secretary of Labor does not have the discretion to overlook "trivial" or "inconsequential" compliance issues.

### **I.D.3     Avoid Retroactive Laws**

When an ABP provision is enacted into law, the state must make a number of procedural and system changes in order to implement the ABP. Often the new systems and procedures do not function as intended immediately, but require some period of time to eliminate the "bugs." These initial difficulties can be compounded by provisions in the ABP that allow for retroactive application of the new law.

Retroactive provisions require the UI agency to process a high volume of claims filed by claimants made potentially eligible by these provisions. The size of this group will depend primarily on how far back the retroactive provisions extend. In addition, because most of these cases must be handled as exceptions, the average processing time for these claims is greater than that for a non-retroactive claim. Thus, the state UI agency, which may already be struggling with the new systems, case loads, and processes brought about by ABP claims, must manage an entire additional pool of potentially eligible claimants at the worst possible time.

Where a retroactive provision requires a claim to be redetermined effective the date of the original claim, the following specific claim processing steps may be required:

1. Mass mailing to all identified claimants to advise them of the alternative base period provisions.
2. Analysis of claims and wage information for each claimant.
3. Deletion of all subsequent claims and their findings.
4. Re-entry of ineligible claims with new findings.
5. Reallocation of payment from the subsequent benefit year to the weeks in the redetermined original benefit year.
6. Cancellation of subsequent benefit year.
7. Adjustment of payment amount since the weekly benefit amounts may differ between the old and new benefit years. Supplemental payments are made or overpayments are established as appropriate.

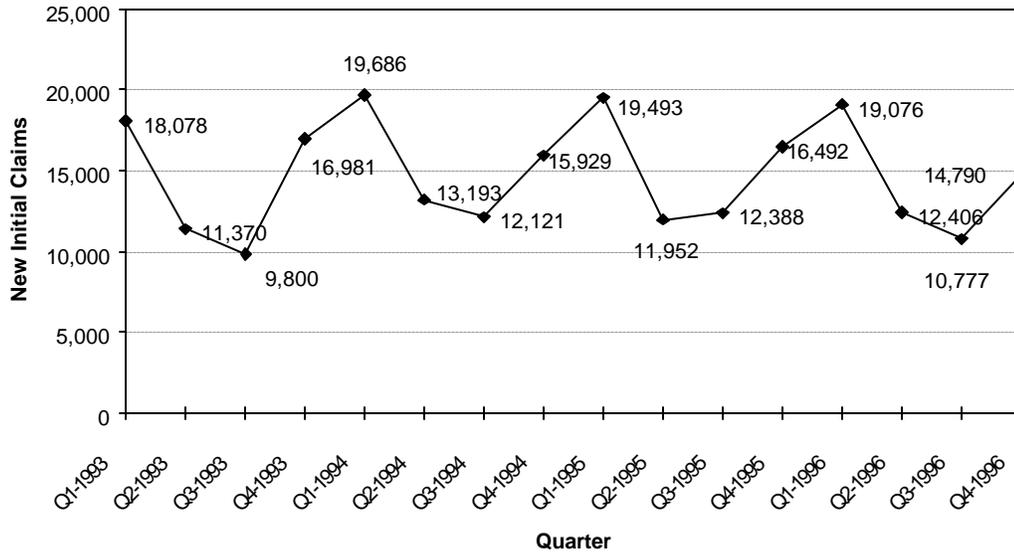
8. Adjustment to employer charging.
9. Resolution of subsequent employer inquiries related to quarterly employer charging statements.

It is clear that these steps will produce a considerable amount of work.

#### **I.D.4 Recommend Effective Date of Law to the Legislature**

In most states, the volume of UI claims varies greatly, depending on the time of the year. For instance, in states whose economies are centered, to a significant extent, on agriculture, the volume of claims is likely to be heavier during the nongrowing season. Historical data on claims volume data can be analyzed to determine the period of the year that typically has the lowest number of UI claims applications. Analysis of data on new initial claims volume that was provided by several state UI agencies showed that this volume in quarters two and three was consistently lower than that of quarters one and four for most of the ABP states studied.

**Quarterly variation in new initial claims in Maine**



The principal advantage in implementing changes in the lowest volume period is that the UI staff would be less busy during this period. This may permit UI agency staff to make any necessary changes themselves, and thus would require the use of fewer outside personnel or part-time workers. It might also avoid the need to hire outside vendors to make computer programming changes. Finally, the UI staff will have more time to be trained in the new processes and to get accustomed to the new system without the pressures of processing a large number of claims.

## **II. DETERMINE AND DESIGN NECESSARY CHANGES IN THE PROCESS**

### **II.A PREPARE FOR THE CHANGES IN ADVANCE**

When a UI agency has advance notice that an ABP is likely to be enacted by the state legislature, the agency should not wait for the law to be passed to make changes to the system. To ensure a smooth transition, cost-effective implementation, and good service to claimants, state UI agencies should prepare for the changes in the UI system in advance (i.e., before the ABP law comes into effect). If a state agency waits for the law to be passed before beginning to implement the changes, the agency will not have a proper system to handle ABP claims until the system changes are complete, and may have to do it manually, which will result in extra administrative costs and poorer service. For example, the Ohio Bureau of Employment Services had to handle claims manually until their premonetary calculation process was automated. In contrast, the New Jersey Department of Labor was able to implement a complex set of ABP laws with less difficulty because they prepared for the changes in advance.

### **II.B INVOLVE ALL UI GROUPS IN PLANNING**

Implementation of an ABP will require a variety of changes in the UI administration process. In order to ensure the most equitable and cost-effective implementation possible, all parties that will eventually be affected by the ABP statute should be consulted for input in designing the processes. This includes personnel from UI field operations, administrative services, UI financing, and legislative services.

### **II.C DETERMINE MODIFICATIONS AND ADDITIONS TO THE INITIAL CLAIMSTAKING AND MONETARY DETERMINATION PROCESSES**

Modifications to the initial claimstaking and monetary determination processes are needed if a state implements an ABP. However, since an ABP deals with determination of monetary eligibility, no changes are required in procedures for nonmonetary determinations, appeals, first payments, and

continued claims. The only way ABP will affect these processes is through an increase in the number of monetarily eligible claimants.

The modifications necessary to the initial claimstaking and monetary determination processes depend upon the method that has been chosen to obtain lag or current quarter wage information. The options for methods of obtaining this information are a wage record system, a wage request system, or using wage affidavits. These have been explained in detail in Section 1B.

### **II.C.1 Wage Records System**

Under a wage records system, the only instances where additional processes will be necessary due to the implementation of an ABP is where the state also implements additional requirements intended to decrease the amount of time required to get wage information onto the agency database (e.g., accelerated reporting deadlines, mandatory electronic reporting, etc.).

### **II.C.2 Wage Requests system**

Flowcharts 1 & 2 (on the following pages) shows a typical set of processes that a state may need to add to its initial claimstaking and monetary determination processes to implement an ABP.

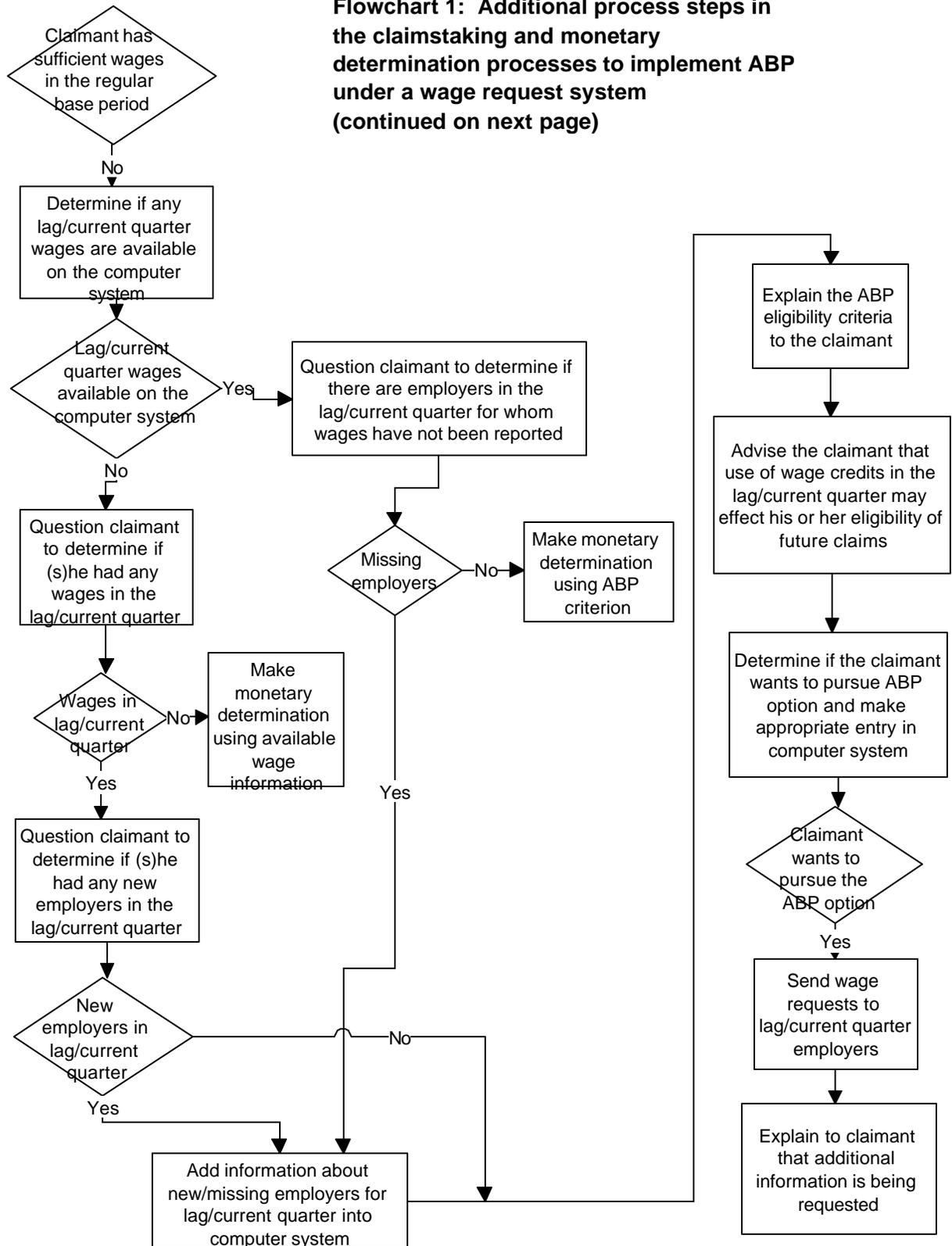
*The following activities may need to be added to the claimstaking process:*

- The claimstaker explains ABP eligibility criteria to the claimant and informs him or her that use of wage credits in the lag or current quarter may affect eligibility with respect to future claims. The claimant then decides whether to pursue the ABP option.
- If a claimant does not qualify for monetary eligibility under the regular base period, the claimstaker determines if lag or current quarter wages are on file. If there are some wages on file, the

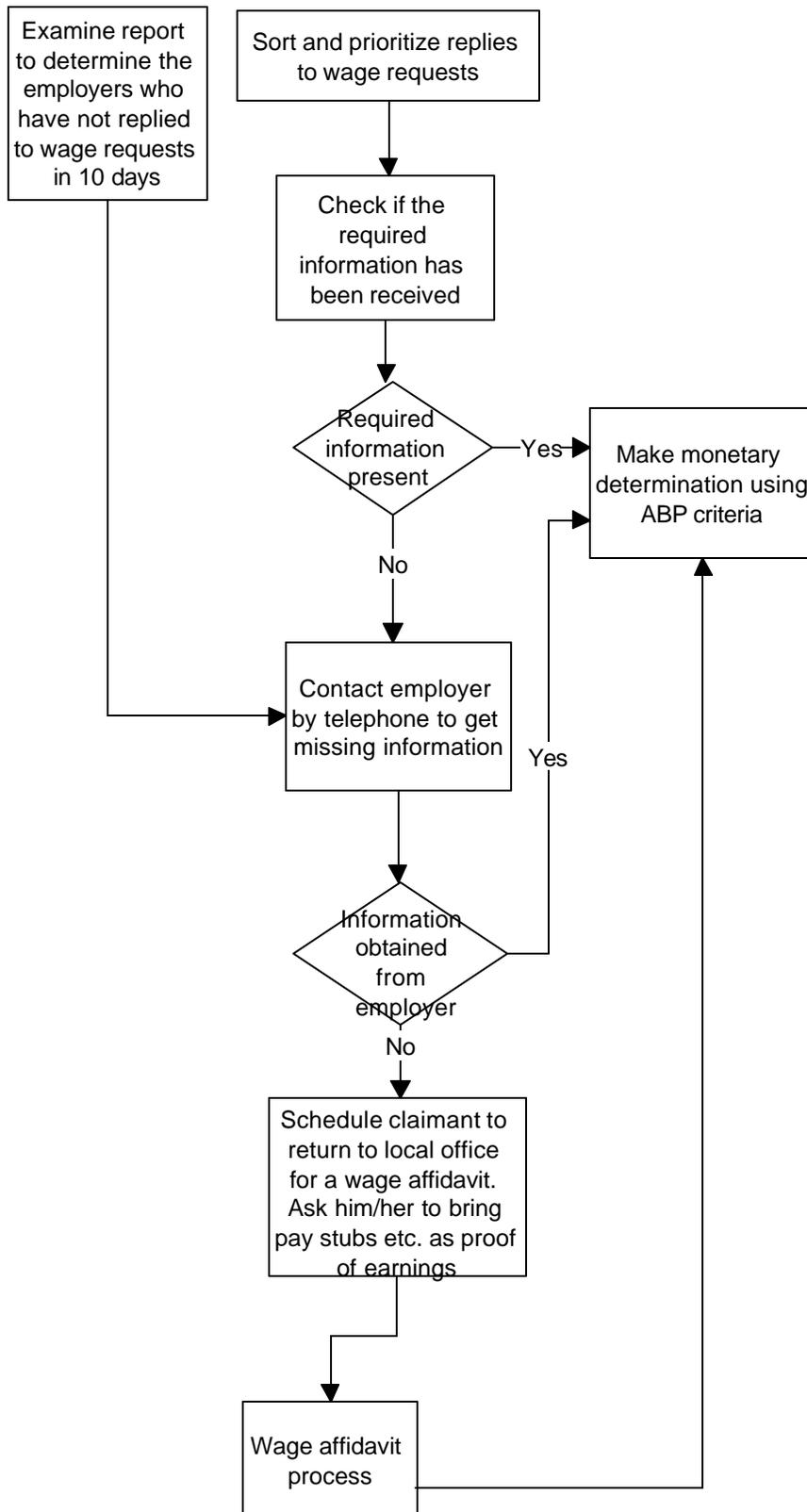
claimstaker questions the claimant to determine if the wage information is complete. If it is complete, the a monetary determination is issued using the ABP criterion.

- If lag or current quarter wages are on file, the claimstaker questions the claimant to determine if he or she had any wages in the lag or current quarter. If there were no wages during these periods, a determination is issued using the available wage information.
- If the claimant says that he or she had some wages in the lag or current quarter, then the claimstaker inquires if there were employers other than those in the regular base period. If so, the claimstaker enters the additional employer information on the computer system to generate wage requests, etc.
- If the claimant does not pursue the ABP option, the claimstaker makes the appropriate entry to the claimant's record and makes a monetary determination based on the available wage information. If the claimant wishes to pursue the ABP option, the claimstaker sends wage requests to lag and/or current quarter employers and explains to the claimant that additional information is being requested.

**Flowchart 1: Additional process steps in the claimstaking and monetary determination processes to implement ABP under a wage request system (continued on next page)**



## Flowchart 2: Steps for handling employer responses to wage requests



*The following activities may need to be performed to handle replies to wage requests:*

- Data enter wage and employment information.
- Follow up with employers on incomplete responses.
- Scheduling claimants for affidavits or mailing of affidavits to claimants for completion.

### **II.C.3 Wage Affidavits**

A wage affidavit process has to be added to the claims processing procedures.

*The following activities may need to be added to the claimstaking process:*

- If the claimant does not qualify for valid monetary eligibility under the regular base period, the claimstaker determines if any lag or current quarter wages are on file.
- If the lag or current quarter wages are on file, the claimstaker determines if the information is complete. If the information on file is complete, the claim is processed for a monetary determination using the ABP.
- If the lag or current quarter employment information is not on file, the claimant's affidavit may be used. If required by state UI law, the claimant presents pay stubs or other proof of employment to the claimstaker.

*The following activities may need to be added to the correction process:*

- When the state agency receives the quarterly wage report from the employer, the UI personnel may compare the wage affidavits with the employer reports.

- If there is a discrepancy between the information in the wage affidavit and the information in the quarterly wage reports, the monetary determination may be redetermined.

Since the above process for making corrections requires little human contact, costs can be reduced by implementing automated the processes to:

- Cross-check the quarterly wage reports with the ABP claims
- Identify and process claims for monetary redeterminations when appropriate
- Generate adjustment payments, as necessary
- Flag claims for overpayment determination, as necessary.
- Adjust tax rates, as appropriate

#### **II.C.4 Process changes for Interstate and Combined Wage Claims**

Interstate wage claims are those in which a claimant has wages or a claim on file in one state (the liable state) but is filing under the interstate procedures from another state (the agent state). In such a case, although the agent state may handle the initial claimstaking, the liable state makes the monetary determination. Thus, the liable interstate claims office has to implement wage request and/or affidavit processes for ABP claims.

Combined wage claims are those in which the claimant has earnings in more than one state. If a claimant is ineligible under the regular base period of the state in which the claim is filed, then his/her eligibility is examined under the alternative base period. Only where the claimant remains ineligible under the ABP re-examination may the claimant file a claim in a second state.

## **II.D DETERMINE CHANGES IN REPORTING MEDIA**

If it is not included in the ABP legislation itself, the type of wage reporting to be used should be considered during the administrative rule-making process. The advantages and disadvantages of various methods are described below:

### **II.D.1 Methods of quarterly wage reporting**

The following media are currently being used to report quarterly wage data to state UI agencies:

Paper Forms: Although paper forms are the most common media for reporting wages, they also are the most cumbersome because they take employers longer to complete and process than computerized information. In addition, reporting errors by employers and data entry errors by the state are more frequent than when using other media. However, this type of wage reporting is currently the only feasible option for many small employers who do not have access to the computers or equipment needed to report wages on electronic media.

Magnetic Tapes: By statute or regulation, many states require larger employers to use this method. Wage information stored on magnetic tapes and cartridges can be transferred to the state's wage record system faster than information recorded on paper forms and with considerably less manpower. This reporting method makes wage data available on the state's wage record file at an earlier date, necessitating fewer wage requests and affidavits.

Computer Diskettes: Like magnetic tapes, computer diskettes require shorter processing times and are less susceptible to human error. As a result of advances in technology, computer diskettes will soon have comparable, if not greater, data capacity than magnetic tapes. Computer diskettes are also a more feasible option for most employers due to the expansion of computer use in business settings. However, because of the wide variety of payroll software currently available, the state will need to specify a standard format and/or provide employers with standard software for reporting wages.

Electronic Data Interchange (EDI): EDI is a system used within government and private industry to electronically exchange information within an organization and with other organizations. The advantage of EDI is the almost instantaneous transfer of information, in contrast to the mailing and handling time required for paper forms, tapes, and diskettes. Since EDI is often a key communications tool in large companies, the costs associated with this system are negligible compared with the savings generated in labor costs in a short period of time. However, because most small companies are reluctant to implement EDI due to its high startup costs, only a small percentage of employers have EDI capabilities.

Telephone Bulletin Board Systems (BBS): This type of system consists of a modem-equipped computer that runs a special BBS software, modems, and telephone lines to support the anticipated call volume. BBS systems are often used as sources of information and data collection, and to exchange files. Essentially, BBSs provide users with capabilities similar to those of the Internet, but in a smaller, closed circle.

One major drawback of BBSs is that they can only be cost effective when the number of simultaneous connections required is small. Where a large number of lines and modems are needed, BBS systems may become quite costly. On the other hand, a small employer may find the use of BBSs efficient and cost effective.

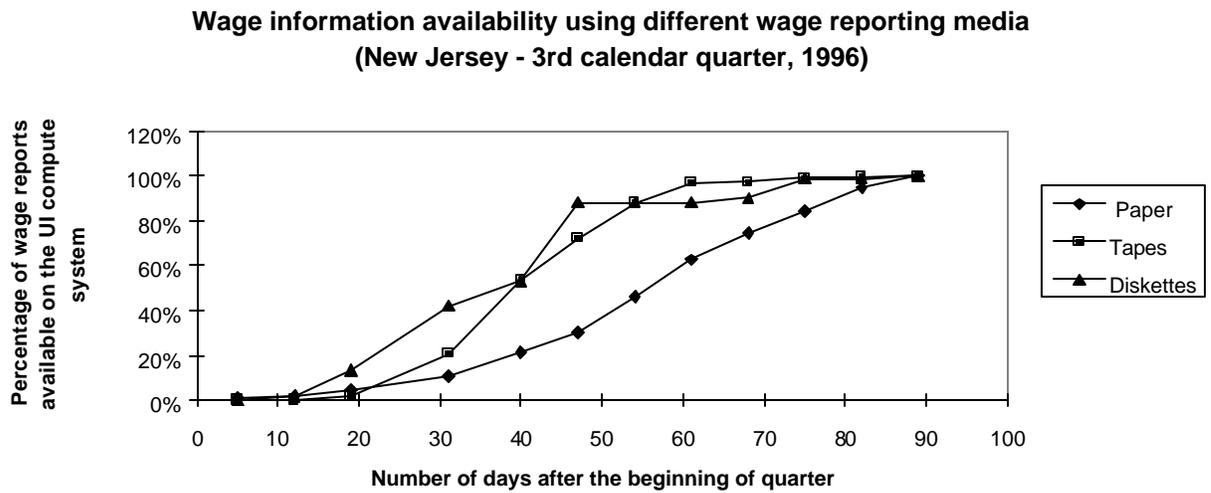
Another major drawback of using BBS systems is difficulty in obtaining technical support. Nevertheless, BBSs are and will continue to be useful in providing a basis for inexpensive, easy-to-use data systems. The Utah Department of Employment Security and the Texas Employment Commission use BBSs to collect data from and disseminate information to employers.

## **II.D.2 Electronic versus Paper Reporting**

During the study that provided the background for this handbook, a number of employers were asked if they could convert to reporting by electronic media. Of those responding to the question, 71.4% said

they could convert to wage reporting via electronic media within a reasonable cost. A majority of the larger employers that were asked why they reported on paper forms responded that the state requires them to do so despite the fact that they would prefer to report via electronic media.

The following figure illustrates the variations in wage information availability times in New Jersey using paper forms, magnetic tapes, and diskettes:



### **III. IMPLEMENT PROCESS CHANGES**

#### **III.A DESIGN NEW FORMS, MANUALS, LITERATURE, ETC.**

The UI literature, including claimant and employer booklets, will have to be changed to reflect the new ABP law. New forms will have to be created for wage requests and wage affidavits. States may need to notify claimants with recent ineligible monetary determinations of their potential eligibility. Operating manuals will have to be revised and the content of the benefit rights interview (BRI) will also need to be modified to include information about the ABP.

#### **III.B PROVIDE TRAINING**

A training program should be established to train UI agency staff on the changes that will have to be made in order to implement an ABP. The training should include, at a minimum, an overview of the new ABP law and its implications, the new workflow and procedures resulting from the ABP-related changes, the new and changed forms, and the modified computer system. Some individuals will require additional training according to their specific task areas. Whenever possible, the program should be completed before the ABP legislation becomes effective so that UI agency staff will have a better idea of what changes to expect and be better prepared to handle those changes.

A training plan used by New Jersey in its ABP implementation is shown in Appendix I.

#### **III.C CONDUCT PILOTS WHERE POSSIBLE**

Pilot programs offer state UI agencies an excellent opportunity to implement an ABP program on a reduced scale prior to the required full-scale implementation. These programs allow the agencies to test the new system (including forms, manuals, computer system changes, process changes, etc.) and work out any "bugs" prior to the full implementation or mass production of ABP-related documents. Doing

this can significantly reduce or even eliminate administrative costs from errors, omissions, or oversights that might otherwise occur during implementation of the ABP.

Ideally, UI agencies will want to run a test of all of the projected changes at two or three field offices. UI agencies may find that some of the changes are more difficult or costly to implement than originally expected. Advance notice of such problems allows the agency to adjust any aspects of the implementation plan before the full implementation, where such adjustments may prove more costly or even impossible.

Washington pilot-tested the wage request system. The pilot helped them to improve the processes and forms, and estimate the employer response.

### **III.D      INFORM / EDUCATE EMPLOYERS**

The business community should be informed about the ABP at the earliest point possible to allow adequate time for preparations. Just as the state will have to implement process and computer system changes, many employers, particularly larger ones using automated employee record systems, will have to do the same. Employer personnel administrators and staff need to understand the changes and how they will affect reporting of information to the state. Seminars to educate employers might be necessary.

### **III.E      SINGLE CENTRAL SOURCE UI OFFICE**

At all stages of the implementation process, there are certain to be questions from headquarters staff as well as field personnel. One individual or office should be designated as a clearinghouse for ABP information. That individual or office should be selected from those most intimately familiar with the ABP implementation process. In addition, this single clearinghouse arrangement will permit the UI agency to compile the most frequently asked questions and disseminate the answers to the entire organization.

## **IV. DETERMINE AND DESIGN CHANGES IN THE COMPUTER SYSTEM**

### **IV.A COMPUTER PROGRAMMING CHANGES**

State agencies use a computer database system to record all the information related to UI claims and to process most of the transactions related to claims processing. The changes that must be made to the UI software depend on the existing routines in the programs and the ABP provisions that are being implemented. These will vary with the type of UI software the states are currently using. Some of changes that are typically made are given below. This list, which is relevant only to those states using a wage request system (as opposed to wage affidavits), is not exhaustive and states may have other changes, depending on their UI software systems.

#### **IV.A.1 Changes to the Monetary Eligibility Calculations Module**

The module that calculates monetary eligibility must be changed to include the ABP provisions. Without ABP, this module only checks whether or not the claimant meets the qualifying requirements for wages in the regular base period. With ABP, this module would first check if the claimant meets the qualifying wage requirements in the regular base period. If the claimant does not meet these requirements, the module would check the claimant's eligibility in the alternative base period (where the necessary wage information is on file). For states having two alternative base periods, if the claim is found monetarily invalid in the first alternative base period, then the module will check eligibility in the second alternative base period.

#### **IV.A.2 Changes to the Pseudomonetary (or Premonetary) Calculations**

When a claimant applies for UI benefits, a pseudomonetary determination is made by some states. This is an informal determination that the claimstaker uses to check if the claimant is eligible based on the

wages present in the database. With the ABP provisions, this pseudomonetary calculation checks the wages in the alternative base periods if the claimant is not eligible in the regular base period.

#### **IV.A.3 Programming for Generation of Wage and Separation Information Requests for Lag and Current Quarter Employees**

In most states, wage and separation information request forms are computer-generated. With the ABP provisions, programming changes need to be made in the on-line routines to allow the UI staff to request wage and separation information from the lag (and current) quarter employers. Programming changes also need to be made in the routine that prints the wage and separation information request forms for mailing.<sup>3</sup>

#### **IV.A.4 Programming to Monitor the Wage Requests**

Programming needs to be done so that the UI staff can monitor the status of the wage requests that have been sent out.

#### **IV.A.5 Reprogramming to Allow the Lag (and Current) Quarter Wages and Employer Information to be Entered on the Database<sup>4</sup>**

With the ABP provisions, the software has to be changed to allow the wages and employers in the lag (and current) quarter to be entered.

#### **IV.A.6 Programming to Ensure that the Lag and Current Quarter Wages Are Not Reused**

Reprogram to allow the UI staff to tag the lag and current quarter wages if they have been used.

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<sup>3</sup>In the case of Ohio, if lag quarter wages are not available, wage requests are not sent to the employers. Monetary determinations are made on the basis of affidavits taken from claimants. Monetary determinations are corrected when the corresponding wages are obtained through quarterly wage reports. In Washington, wage request forms are completed manually by local UI office staff.

<sup>4</sup>The UI systems of some states already allow the lag and current quarter wage information to be entered and stored on the database.

#### **IV.A.7 Changes in Screens**

The screens that the staff use to obtain information or data enter information to UI databases need to be changed to include the various ABP provisions. These changes may be extensive since they have to be made to all screens that refer to monetary determinations and calculations.

#### **IV.A.8 Changes in On-Line Help Modules**

The on-line help modules will have to be modified to include instructions about the ABP law and the ABP screens.

#### **IV.A.9 Changes that Are Specific to ABPs that Include the Current Quarter**

If the current quarter is used to determine eligibility, then weekly wages might be needed from the employer. Changes need to be made in the forms and computer programs that generate wage requests so that weekly wages are requested. Once the wages in the current quarter have been used, information on the wages that have been used needs to be stored. This information will be needed if the claimant applies for UI benefits in the next benefit year and his/her wages from the rest of the current quarter are to be used.

## **V. IMPLEMENT THE COMPUTER SYSTEM CHANGES**

### **V.A IMPLEMENT CHANGES BEFORE LAW BECOMES EFFECTIVE**

Once an ABP statute becomes effective, the state will begin receiving ABP claims within a short period of time. If the computer systems are not ready to begin processing those claims, they will have to be processed manually, increasing administrative costs. Also, if the UI agency staff has not had the opportunity to become accustomed to the computer system changes prior to implementation, processing times may be significantly increased. Implementing the computer changes ahead of time also provides the UI agency the opportunity to work out hardware and software problems prior to the arrival of new claims.

### **V.B MAKE THE CHANGES ALONG WITH OTHER FUNDAMENTAL CHANGES TO THE COMPUTER SYSTEM**

Some states are currently planning to change their computer systems from hierarchical flat-file database systems to relational database systems or object oriented database systems. If a state is planning or otherwise foresees fundamental changes upcoming in the computer system, they should attempt to make the ABP alterations when the other fundamental changes are being made. If the ABP alterations are made before the other changes are completed, then the ABP alterations may have to be repeated. Such replication will increase the administrative costs of implementing the ABP.

### **V.C IMPLEMENT COMPUTER SYSTEM CHANGES WITH INTERNAL PERSONNEL**

The one-time costs of implementing changes to the UI software will be significantly lower if internal personnel already familiar with the UI software implement these changes. The costs are typically much higher if outside contractors are used. The UI software is numerous and complex and the outside contractors will have to spend a large amount of time trying to understand the system before

implementing the changes. Internal personnel already familiar with the software will not need to spend this time and are usually less costly than outside contractors.

All of the states currently studied have used internal personnel to make the changes in their software.

#### **V.D TEST CHANGES ON SUBSET OF COMPUTERS**

Not unlike the pilot programs discussed above, testing ABP changes on a subset of the agency's computers, offers the state an excellent opportunity to work out "bugs" prior to the full-scale implementation. Ideally, these test subsets should include those computers used at the pilot program sites. Running tests on a selected subset of computers prior to full implementation can significantly reduce or even eliminate administrative costs from errors, omissions, or oversights that might otherwise have occurred during the full implementation of the ABP.

#### **V.E SINGLE CENTRAL SOURCE**

There are certain to be computer-related questions from staff during and after the implementation process. As with process change information, one individual or office should be designated as a clearinghouse for ABP information. A single clearinghouse arrangement that covers computer and procedural questions will permit the state to compile the most frequently asked questions on both computer and process matters and disseminate the answers to the entire organization.

#### **V.F STEPS OF IMPLEMENTING PROGRAMMING CHANGES**

The generic set of steps that should be followed to implement the programming changes is listed below.

##### *First Phase*

- Problem definition, preparation of time and cost estimates
- Collection and study of existing documentation

- Interviewing users on requirements

#### *Second Phase*

- Identification of data elements and relational changes
- Preparation of specifications for system changes
- Review of changes with users
- Revision of screen layouts
- Update of records/segment definitions
- Preparation of conversion plans and specifications
- Coding and compilation of program changes and addition
- Test of Modules

#### *Third Phase*

- Preparation of system acceptance test plan
- Preparation of system acceptance test files
- Conduction of system acceptance test
- Operations review and acceptance
- Production moves and start-up
- Post implementation support

## APPENDIX I

### STAFF TRAINING PLAN FOR IMPLEMENTATION OF ALTERNATE BASE YEAR IN NEW JERSEY

**GRAND TOTAL - 35,385 HOURS**

**FOR JULY LAW CHANGE**

1785 DAYS X 7 HOURS =  
**12,495 HOURS**

<u>DATE:</u>	<u>AUDIENCE</u>	<u>CONTENT</u>	<u>NUMBERS</u>	<u>DAYS</u>
June 19	<u>Technicians</u> UI Technician I - 15	Train the Trainer	15	15
June 20	<u>Managers and Technicians</u> Managers - 40 UI Technician I - 15	Overview of law, procedure & system	55	55
By June 30	<u>Experts</u> <u>3 per LO - 108</u> 36 Sr. Claims Exam 72 Sr. UI Clerks  <u>Adj. Unit - 6</u> 1 UI Tech I 1 UI Tech II 4 UI Tech III  <u>4F Disability - 20</u> 5 Sr. Claims Exam. 15 Sr. UI Clerks	Same as June 20 plus refresher & computer	150	300

CWC Unit - 6

1 Sr. Claims Exam.

5 Sr. UI Clerks

Central Office - 10

10 UI Tech I

After  
June 30

Remaining Staff

Same as June 20

1415

1415

Local Office - 1300

UI Clerks

Sr. UI Clerk

Claims Exam.

Sr. Claims Exam.

Appeal Tribunal - 60

40 Appeal Exam I

20 UI Clerks

DATE:

AUDIENCE

CONTENT

NUMBERS

DAYS

Board of Review - 10

7 Referees

3 Members

Benefit Payment Control - 20

15 Investigator II

3 Investigator I

2 Supervising Investigator

Quality Control - 15

2 UI Tech I

12 UI Tech II

1 Supervising UI Tech

Planning/Research - 10

1 Supervising Labor Market Analyst

2 Labor Market Analyst I

8 Labor Market Analyst II

**FOR OCTOBER LAW CHANGE**

1635 DAYS X 7 HOURS =

By 9/30 All Staff

**11,445 HOURS**

1635

1635

Overview of law  
procedure & system

**FOR JANUARY LAW CHANGE**

1635 DAYS X 7 HOURS =

By 12/31 All Staff

**11,445 HOURS**

1635

1635

Overview of law  
procedure & system

**TECHNICAL RESOURCES UNIT**

**ALTERNATE BASE YEAR TRAINING**

**GRAND TOTAL FOR TRU - 3,192 HOURS**

**FOR JULY LAW CHANGE**

174 Days X 7 Hours =

**1218 Hours**

1 Supervising Technician

6 Days = 42 Hours

8 UI Technicians I

168 Days = 1176 Hours

**FOR OCTOBER LAW CHANGE**

108 Days X 7 Hours =

**756 Hours**

1 Supervising Technician

8 UI Technician I

**FOR JANUARY LAW CHANGE**

174 Days X 7 Hours =

**1218 Hours**

1 Supervising Technician

6 Days = 42 Hours

8 UI Technician I

168 Days = 1176 Hours

## APPENDIX II

### ABP Statutory Schemes for Selected States

#### New Jersey

“Base Year” means the first four of the last five completed calendar quarters,

*but if* claimant does not have sufficient qualifying weeks or wages *then*

“Alternate Base Year” means the last four completed calendar quarters,

*but if* claimant *still* does not have sufficient qualifying weeks or wages *then*

“Alternate Base Year” means the last three completed calendar quarters plus the portion of the quarter which occurs before the commencing of the claimant’s benefit year.

In addition:

1. The department shall inform potential ABP claimants of this option.
2. If wage data from quarterly wage reports are unavailable, eligibility determination may be based on claimant’s affidavit.
  - Claimant shall furnish supporting documentation where available.
  - Determination of benefits to be adjusted when the quarterly wage report is received from the employer.
3. Statute allows for additional modification of the base period under certain conditions where the claimant was subject to certain temporary disabilities immediately preceding the claimant’s benefit year.

#### Washington

“Base Year” means *either* the first four of the last five completed calendar quarters *or* the last four completed calendar quarters,

*but*

Claimant must fail to establish a benefit year in the first four of the last five completed calendar quarters before the last four completed calendar quarters may be used.

In addition:

1. Claimant may not reuse wages already used to establish a previous benefit year.
2. ABP computations shall be based on wage data available at the time of the claim, but wage requests are to be sent to employers promptly.

### **Maine**

“Base Period” means the first four of the last five completed calendar quarters,

*but if either*

The claimant does not have sufficient qualifying weeks or wages,

*or*

The first quarter of the last five completed calendar quarters has already been used to establish a previous claim,

*then*

“Base Period” means the last four completed calendar quarters.

In addition:

1. Claimant may not reuse wages already used to establish a previous benefit year.
2. If wage data from quarterly wage reports are unavailable, then wage data requests shall be sent to employers.
  - If information furnished by employer causes a revised monetary determination, no overpayment will be charged to claimant provided claimant did not knowingly misrepresent information requested from claimant.

### **Ohio**

“Base Period” means the first four of the last five completed calendar quarters,

*but if claimant does not have sufficient qualifying weeks or wages then*

“Alternate Base Period” means the last four completed calendar quarters.

In addition:

1. If wage data from quarterly wage reports are unavailable, eligibility determination may be based on claimant’s affidavit.
  - Claimant shall furnish supporting documentation where available.
  - Determination of benefits to be adjusted when quarterly wage report is timely received from the employer.

### Vermont

“Base Period” means the first four of the last five completed calendar quarters,

*but if claimant does not have sufficient qualifying weeks or wages then*

“Alternate Base Period” means the last four completed calendar quarters,

*but if claimant still does not have sufficient qualifying weeks or wages then*

“Base Period” means the last three completed calendar quarters plus all wages paid in the current quarter prior to the effective date of the claim.

In addition:

1. Claimant may not reuse wages already used to establish a previous benefit year.

### Massachusetts

“Base Period” means the last four completed calendar quarters,

*but if either*

The claimant does not have sufficient qualifying weeks or wages,

*or*

The claimant has reason to believe that he would be eligible for an increase of ten percent or more in total benefit credit,

*and*

The claimant has presented credible substantiation in writing (such as a wage statement),

*and*

The Commissioner has verified this by wage request to the employer,

*then*

“Base Period” means the last three completed calendar quarters plus any weeks in which wages were paid to the claimant in the current quarter.

In addition:

1. Potential ABP claimants shall be informed of this option.
2. Claimant may not reuse wages already used to establish a previous benefit year.
3. Where claimant received temporary total disability payments for certain illnesses or injuries for at least seven weeks during the base period, claimant’s base period shall be extended by that number of weeks (up to a maximum of fifty two weeks).